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Prime Minister's schedule, June 11

NIKKEI (Page 2) (Full)

June 12, 2008

09:20

Arrived at the Kantei.

10:01

Upper House plenary session.

10:17

Met with Vice Health, Labor and Welfare Minister Erikawa at the Kantei.

11:13

Met with LDP Reform Implementation Headquarters chief Takebe,
followed by former Secretary General Nakagawa.

12:08

Party State Strategy Headquarters debrief session.

13:39

Met with former General Council Chairman Horiuchi.

14:14

Party Reform Implementation Headquarters plenary session.

15:04

Met with Nobuo Tanaka, director general of the IEA Secretariat.
Then videotaped a message for the East Asia Conference under the
World Economic Forum.

16:01

Upper House plenary session.

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17:19

IT Strategic Headquarters meeting at the Kantei.

18:26

Dined with former U.S. Ambassador to Japan Baker and former Finance
Minister Shiokawa at French restaurant in Ginza. Tokyo Stock
Exchange Chairman Taizo Nishimuro was present.

20:47

Met with members of "group of junior, mid-ranking and like-minded
lawmakers who support Prime Minister Fukuda," including Lower House
members Chuko Hayakawa and Satsuki Katayama, at Toranomon Pastoral
Hotel.

21:39

Arrived at the official residence.

4) Japanese parts used at N. Korean nuclear facility: IAEA

YOMIURI (Page 1) (Full)
June 12, 2008

Vacuum pumps made in Japan were discovered at a nuclear-related
facility in North Korea when the International Atomic Energy Agency
inspected the facility in 2007, the Yomiuri Shimbun has found. The
vacuum pumps in question were used for the uranium enrichment
devices at the facility. The IAEA reported this discovery to the
Japanese government. Early this month, police in Kanagawa Prefecture
investigated five localities, including Tokyo Vacuum, the maker of
the vacuum pumps and a manufacturer of machinery and equipment based
in the Kanagawa prefectural city of Sagami-hara, and the head office
of Nakano Corporation, an export and import agent located in Tokyo's
Minato Ward, on the charge of violating the Foreign Exchange and
Foreign Trade Control Law (export without permission). Police
authorities sent investigators to Taiwan, where the vacuum pumps
were exported, to clear up the North Korea route. This is the first
time that the IAEA has discovered Japanese-made parts in its
inspection of nuclear facilities in North Korea.

The vacuum pumps were discovered by a team of IAEA inspectors that
entered Yongbyon and other nuclear facilities in North Korea in July
last year, investigative authorities said. The IAEA team inspected
those nuclear facilities in order to verify whether North Korea
implemented its initial steps, such as suspending and sealing the
nuclear facilities, in accordance with an agreement reached at the
six-party talks over North Korea's nuclear programs.

Police authorities, with cooperation obtained from Taiwan's
investigative authorities, looked into the records of exports in the
past and other documentations. As a result, they judged that the
pumps are strongly suspected of having been exported from Taiwan to
North Korea.

According to investigative authorities, the two companies are

suspected of having exported the vacuum pumps without permission from the Ministry of Economy, Trade and Industry, which lists vacuum pumps as materials restricted under the Export Trade Control Ordinance as they could be used for weapons of mass destruction like nuclear weapons. A vacuum pump can be used to vacuum a centrifugal separator to improve the efficiency of enrichment, so it is on the list of restricted items.

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Nakano Corp., according to its account, exported 10 vacuum pumps to a Taipei-based trading firm in the summer of 2003 for a total of about 500,000 yen.

Both Tokyo Vacuum and Nakano Corp., when questioned by the prefectural police, explained that they did not know that the pumps would be used at a nuclear facility.

"Our president is in bad health, so we can't answer," a Tokyo Vacuum official told the Yomiuri Shimbun. "It's true that we were investigated," a Nakano Corp. official said, adding: "The maker explained to us that the pumps were not restricted under the forex law. We've never done business and have nothing to do with North Korea."

5) Japan asks N. Korea to turn over JAL hijackers

ASAHI (Page 4) (Full)
June 12, 2008

BEIJING—Japan and North Korea kicked off a formal meeting of working-level officials from their foreign ministries in Beijing yesterday. In the meeting, Japan sought progress on the pending issue of Japanese abductees. In addition, Japan called for North Korea again to turn over Japan Airlines hijackers. North Korea answered that it would formally clarify its position in a meeting to be held this morning.

The meeting was held at the North Korean embassy in Beijing for about two and a half hours with the participation of the Foreign Ministry's Asian and Pacific Affairs Bureau Director General Akitaka Saiki from Japan and Song Il Ho, ambassador for negotiations over the normalization of diplomatic relations between North Korea and Japan, from North Korea.

"The North Koreans were very serious," Saiki told reporters after the meeting, "and we frankly stated our views to each other."

Yesterday's meeting focused on the abduction issue as proposed by Japan. Saiki explained Japan's position in detail, calling for North Korea to let all survivors return to Japan, clear up the facts about the abductions, and turn over those responsible for the abductions.

Japan and North Korea reaffirmed that the two countries would hold negotiations in conformity with a bilateral declaration issued in Pyongyang in September 2002. The two countries also agreed to take up the question of how to clear past issues as a matter of concern to North Korea in today's meeting.

According to sources familiar with Japan-North Korea relations, Pyongyang wants to reach an agreement in the meeting this time to repatriate the JAL hijackers, since the United States cites this issue as one of its reasons for listing North Korea as a state sponsor of terrorism. Furthermore, North Korea is expected to urge Japan to call off its sanctions on North Korea while implying that it will look again into the issue of Japanese abductees. North Korea is also considering documenting an agreement if there is progress to a certain extent in the meeting this time.

However, Japan takes the position that the JAL hijackers' repatriation has nothing to do directly with the abduction issue.

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6) North Korea to explain its position on abduction issue today in official talks

TOKYO SHIMBUN (Page 1) (Full)
June 12, 2008

(Yuji Nishikawa, Beijing)

Working-level officials from the governments of Japan and North Korea met for formal talks at the North Korean Embassy in Beijing on the afternoon of June 11. A Japanese representative demanded that North Korea take specific action to solve a dispute over the abductions of Japanese nationals by North Korean agents. In response, a North Korean representative said he would explain his government's position on the issue in the second-day meeting on the morning of the 12th. Both sides confirmed the need for the two countries to promote bilateral ties based on the Pyongyang Declaration issued in 2002.

The meeting lasted for about two and a half hours between Akitaka Saiki, director general of the Foreign Ministry's Asian and Oceanian Affairs Bureau, and Song Il Ho, North Korea's ambassador for normalization talks with Japan.

On the abduction issue, Saiki renewed the Japanese government's calls for North Korea to (1) return the abduction victims to Japan for reunion with their families at an early date; (2) clear up the truth of the issue; and (3) hand over the perpetrators.

Saiki also demanded that the Japanese radicals who hijacked a Japan Airlines plane to North Korea in 1970 be handed over to the Japanese side.

Song made no specific reference to the abduction issue, just saying: "I will explain our government's position in details in the meeting tomorrow morning."

In the second-day talks, which will be held at the Japanese Embassy, both sides are expected to discuss such disputes as Japan's colonization of the Korean Peninsula, following North Korea's expression of its position on the abduction issue.

Saiki told reporters after the meeting: "I expect North Korea will make a sincere, concrete response."

7) North Korea might be preparing specific reply in response to Japan's request on abduction issue

TOKYO SHIMBUN (Page 2) (Excerpts)
June 12, 2008

From the very outset of the resumed official working-level talks that started on the 11th, the Japanese side urged North Korea to resolve the dispute over the abductions of Japanese nationals by North Korean agents, Japan's top priority issue. The focus of attention is on what response North Korea will make in the second-day meeting on the 12th.

The Japanese side has repeatedly demanded that Pyongyang take specific action on the abduction issue. Akitaka Saiki, director general of the Foreign Ministry's Asian and Oceanian Affairs Bureau,

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said last night after the first day of meetings: "I said what Japan should say."

The Japanese government has continuously applied pressure to the North with its own economic sanctions and other means, but the government began recently to indicate the possibility of easing the sanctions in an attempt to urge the North to take positive action. Foreign Minister Masahiko Koumura noted: "Should the other side move a step forward and take specific action, our side will also take one step toward specific action."

Even so, the precondition for what the foreign minister said is that North Korea should take action first. Asked if North Korea will

change its usual assertion that the abduction issue has already settle, Saiki just replied: "I cannot say anything before I hear the other side's official view."

8) Upper House approves censure motion against Fukuda for the first time; Diet to essentially go into recess

MAINICHI (Top play) (Full)
June 12, 2008

Nakae Ueno

A censure motion against Prime Minister Yasuo Fukuda was approved yesterday evening at an Upper House plenary session by a majority of votes from four opposition parties, the Democratic Party of Japan (DPJ), the Japanese Communist Party (JCP), the Social Democratic Party (SDP), and the People's New Party (PNP). This is the first time for the censure motion to be approved in the Diet. The opposition bloc calls on the prime minister to dissolve the Lower House for a snap election or resign en masse, but the censure motion has no legal binding force. So, the prime minister has assumed a stance of ignoring it. Meanwhile, the ruling bloc, in an effort to counter the opposition bloc's move, submitted a confidence motion toward the prime minister to the Lower House. It intends to get it approved at today's Lower House plenary session.

The censure motion was jointly submitted yesterday afternoon by the DPJ, the SDP, and the PNP.

The current Diet session has now been extended until June 21, but those three opposition parties intend to boycott deliberations in both houses of the Diet as the censure motion has been approved. The JCP intends to attend Diet deliberations without interruption, but the Diet is likely to go essentially into recess on June 12 or later. A battle between the ruling and opposition parties will be carried over to the next extraordinary Diet session to be convened in August.

In the Upper House plenary session yesterday evening, the DPJ's Upper House Caucus Chairman Azuma Koshiishi gave an account of the reasons for the submission of the censure motion against the prime minister. Speaking of the medical system for the elderly, Koshiishi noted: "The prime minister lacks both resolve and enthusiasm to deal with the 'negative legacy' from the Koizumi and Abe cabinets." Koshiishi also criticized the government for its restoration of the provisional tax rate for gasoline.

After that, the censure motion was put to the vote after affirmative views by a DPJ representative and opposing views by representatives

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from the ruling Liberal Democratic Party (LDP) and its junior coalition partner New Komeito were both voiced. Yasuhiro Oe and Yoshitake Kimata of the DPJ were absent from voting for poor health conditions and Yasuo Yamashita of the same party was also absent from voting in order to attend a memorial ceremony for a relative.

With the submission of the censure motion against the prime minister, a debate of party leaders between the prime minister and DPJ President Ichiro Ozawa slated for yesterday afternoon was cancelled.

After the censure motion was approved, Ozawa met the press and explained: "We submitted a censure motion in order to make the public aware that 'the prime minister is not qualified for the position.'" Ozawa also stressed, "A general election will be the only solution to the current situation," and added, "We will set in motion our preparations for a snap election once the Diet closes."

LDP Secretary General Bunmei Ibuki criticized the DPJ at a press briefing: "They submitted it at this point in time when even though they will boycott Diet deliberations, the period of boycotting deliberations is limited and the shortest. Their intention is thus clear and obvious."

9) Upper House adopts censure motion against prime minister

The government and the ruling bloc are reacting furiously to the adoption of a censure motion by the House of Councillors by a majority of vote by the Democratic Party of Japan and other opposition parties. But given the divided Diet, they need to explore ways to hold talks with the DPJ for the next extraordinary Diet session, expected to open in late August.

"It's like bullying"

Prime Minister Fukuda delivering a speech at yesterday's LDP Reform Headquarters general meeting lamented the current situation of the Diet:

"I am a victim. The general public is the main victim. Necessary legislation has not passed the Diet, yet unnecessary revisions must be made. I have been forced to be patient in managing Diet affairs."

In a bid to find a way out of the current deadlock in the divided Diet, the prime minister has explored ways to form a grand coalition between the LDP and the DPJ, showing eagerness to build a line of talks with the DPJ. The adoption of the censure motion against the prime minister by the Upper House, the first in post-war history, was particularly painful for Fukuda as it signified an end to his line of talks with the DPJ.

The ruling parties, too, criticized the Upper House's adoption of the censure motion.

LDP Secretary General Ibuki yesterday said to reporters: "The censure motion has no binding legal grounds. If there is criticism of the Fukuda cabinet, a no-confidence motion should be submitted to the House of Representatives." New Komeito Secretary General

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Kitagawa, too, slammed the DPJ, saying, "The only explanation I can think of is that the DPJ introduced the motion in order to play up its confrontational stance at the last phase of the current Diet session."

Former Prime Minister Koizumi also remarked in a speech in Yokohama, "The censure motion does not mean much. It's tantamount to bullying."

Nevertheless, given the fact that the DPJ holds control over the Upper House, generating a confrontational mood with the DPJ is not desirable for the government and ruling bloc.

The ruling parties had initially planned to enter into deliberations with the Japanese Communist Party and in a June 12 Lower House plenary session to criticize the DPJ for rejecting deliberations on the bills, including one to abolish the healthcare system for people aged 75 and over, presented by the DPJ itself. But the ruling bloc is now set to forgo any deliberations so as not to further irk the DPJ.

As priority legislation in the extraordinary Diet session in the fall, the government and the ruling parties are considering extending the Antiterrorism Special Measures Law beyond the January 2009 expiry. They also aim to enact a bill amending the Health Insurance Government Subsidy Special Measures Law and a bill establishing a consumer affairs agency. The government and ruling coalition therefore wish to avoid the upcoming Diet session falling into a stalemate from the start.

10) Full text of censure motion against Prime Minister Fukuda

The following is the full text of and reason for the censure motion against Prime Minister Yasuo Fukuda, adopted by the House of

Councillors in its plenary session on June 11:

(Body)

The chamber shall censure Prime Minister Yasuo Fukuda. The chamber shall adopt the motion below.

(Reason)

It has been two months since the medical insurance system for people 75 and older was introduced. There are calls across Japan for the abolition of the system. Despite that, Prime Minister Fukuda has continued to reject abolishing the system and only agreed to make minor changes to it. A bill designed to abolish the medical insurance system for the elderly, sent to the House of Representatives after being adopted by the House of Councillors, has not been discussed due to the ruling bloc's numerical superiority in the Lower House.

That is not the only reason for censuring the prime minister. Lower gasoline prices from April 1 were the only bright news for the general public in the spring, a season of price hikes. Unaware of the national pain, Prime Minister Fukuda, putting the interests of ruling party lawmakers and bureaucrats first, took measures that ignored calls for protecting the people's livelihood from soaring crude oil prices. It was a policy mistake that cannot be overlooked.

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The government and ruling parties had the Lower House readopt a bill reinstating the provisional tax rate on gasoline by abusing their two-thirds majority under Article 59-2 of the Constitution before the Upper House reached its conclusion. It was an absolute insult to the Upper House, a chamber under the bicameral system that reflects the popular will expressed in the latest election. Our failure to introduce a censure motion against the prime minister at this stage would have undermined the authority of the Upper House.

In the previous Upper House election, the LDP promised to resolve the issue of 50 million unidentified pension payment records. Less than 10 PERCENT of those records were identified by March 31, the deadline. The LDP also consistently offered an explanation implying that the public was to blame for viewing (what the LDP promised) as a public pledge. The violation of such a public pledge deserves a censure motion. Further, confusion and anxiety are spreading under the government policy, including the issue of missing records of paid premiums.

It has been over nine months since the prime minister assumed office. In the initial stage, his approval rating exceeded 60 PERCENT but it is now low, below 20 PERCENT. The general public, which does not know what Prime Minister Fukuda wants to do, has turned its back on the prime minister.

Coming this far, the prime minister must choose between cabinet resignation en masse and dissolving (the Lower House) for a snap general election to ask for a public vote of confidence. We hereby submit a censure motion against Prime Minister Fukuda.

11) DPJ has no next hand of cards to play, its tactic of forcing Diet dissolution having fizzled, although the ruling camp has been shaken in its deliberations

TOKYO SHIMBUN (Page 2) (Excerpts)
June 12, 2008

The Democratic Party of Japan (DPJ) together with other opposition parties passed a motion in the Upper House plenary on June 11 censuring Prime Minister Fukuda. There is no doubt that it has struck a blow against the Prime Minister using the "family sword" that it had previously kept in reserve, but there is yet no prospect in sight of it leading to dissolution of the Diet and a general election.

After the motion was passed yesterday, DPJ President Ichiro Ozawa stressed at a press conference: "The Prime Minister himself must now take this as an extremely serious development. If he takes this as

the will of the people, it would be better that he win by dissolving the Diet and calling a general election."

Although the DPJ took the stance that with the passage of a censure motion against the Prime Minister, their pressure on the ruling camp would heighten all the more, instead, the Prime Minister, whose cabinet support rate has continued to fall due to public reaction against the medical system for the elderly, has only reaffirmed his stance of avoiding Diet dissolution for the time being.

President Ozawa himself recognized that the resolution has no binding force, so the passage of the censure motion was meant to emphasize the confrontational stance against the government and

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ruling coalition. A veteran lawmaker also said, "The censure motion was no more than a bamboo sword."

That being said, with the Prime Minister's decision to ignore the motion, the DPJ has lost completely any leverage to force Diet dissolution. If there is not going to be an early general election, Ozawa, who has been touted a change in government through the next Lower House election, can only lose his lock on the party.

12) JCP tells DPJ before censure motion submitted: Timing of submission not good

ASAHI (Page 4) (Full)
June 12, 2008

In a meeting yesterday of the secretaries general of four opposition parties, in which the opposition camp finalized a policy of submitting a censure motion against Prime Minister Yasuo Fukuda (to the House of Councillors), the Japanese Communist Party's Tadayoshi Ichida told his Democratic Party of Japan (DPJ) counterpart Yukio Hatoyama, arguing: "Now is not right timing to submit the motion."

Ichida said:

"A censure motion should be submitted when we force (Prime Minister Fukuda) to a situation in which he cannot avoid resigning with his cabinet and calling a snap election. Do you think he will do so?"

Hatoyama then explained:

"Such may not happen soon, but if we continue fighting in a tense atmosphere even after the Diet is closed, such efforts will lead into the extra Diet session. Should the current session end without the submission of a censure motion, all eyes will be focused on the Group of Eight summit and the Olympic Games."

Ichida also posed a question about the cancellation of a party-heads debate (between Fukuda and DPJ President Ichiro Ozawa), noting: "Why was the party-heads debate cancelled? (Ozawa) should have grilled (Fukuda) in a Diet debate." When Hatoyama told Ichida his party's policy of boycotting deliberations in the next extraordinary session, Ichida said: "That means abandonment of debate."

13) Fukuda-Ozawa debate held only once during current Diet session

YOMIURI (Page 4) (Full)
June 12, 2008

The national basic policy committees of the two Diet chambers cancelled a debate between Prime Minister Yasuo Fukuda and Democratic Party of Japan (DPJ) President Ichiro Ozawa planned for the afternoon of June 11. The DPJ asked the ruling camp to cancel the debate and the ruling camp agreed. The outlook is that there will be no more party-heads debate other than the one held on April 19.

The party-heads debate practice was introduced in 2000. Essentially, the party heads are supposed to hold a debate once a week. When the practice was begun, three debates were held in a month. Because of the agreement between the ruling and opposition parties that the party-heads debate should not be held during the weeks when the

prime minister attends plenary sessions and budget committee

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meetings of the two Diet houses, the number of weeks in which the debate has not been held has increased recently. Since last September when the Fukuda government was inaugurated, only two party-heads debates have been held.

Regarding the agreement, DPJ Secretary General Yukio Hatoyama made this proposal in a meeting yesterday of the secretaries general of the two Diet chambers: "Since we agree to the idea of activating the party-heads debate, the agreement should be returned to the drawing board and a new rule created."

14) Next extra Diet session likely to tend to be turbulent right from beginning

ASAHI (Page 4) (Full)
June 12, 2008

Since opposition parties, including the Democratic Party of Japan (DPJ), approved a censure motion against Prime Minister Yasuo Fukuda (in the House of Councillors), an extraordinary Diet session slated for the fall will likely be tumultuous. The reason is that there is a possibility of the DPJ boycotting deliberations from the start, since it has stepped up its offensive, with Secretary General Yukio Hatoyama saying: "I don't think the significance of the censure motion will disappear at the time when the (current regular Diet session) closes."

In the fall extra Diet session, the ruling and opposition parties are expected to engage in a fierce battle over many important bills. Among those bills, the focus will be on a bill to extend the special measures law that allows the Maritime Self-Defense Forces to continue its refueling operation in the Indian Ocean. Although the special law was extended in January with a two-thirds overriding vote in the House of Representatives, it will expire in January 2009. The opposition camp is certain to oppose another extension of the law.

The government and ruling coalition wish to enact in the next extra session a government-managed health insurance special measures law, intended to slash the payment from the national treasury to the government-managed health insurance program and to have the health insurance societies of major companies assume the payment for one year. The opposition camp, however, is opposed to the legislation.

In a bid to pass the two bills through the Diet, the government and ruling bloc have no other choice but to use a two-third overriding vote in the Lower House. They envisage applying Article 59 of the Constitution, the so-called 60-day rule, which allows the Lower House to take a second vote on a bill if the Upper House fails to vote within 60 days after it received. The government and ruling camp intend to convene the extra session in late August earlier than usual to secure about 100 days for the session.

However, Fukuda's stance of ignoring the censure motion and a Diet timetable envisioned an overriding majority vote could backfire on the opposition camp.

The government and ruling coalition also aim to enact a bill establishing a Consumer Agency. The DPJ has come up with its own proposals for bills which have Fukuda's strong policy image. Therefore, the ruling and opposition camps may clash on those bills.

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15) Draft report compiled by private round-table reporting to state minister for financial services clarifies readiness to accept investment in Japan by sovereign wealth funds, stressing non-discrimination between domestic and foreign companies

NIKKEI (Page 3) (Full)

June 12, 2008

A draft report readied by a private round-table reporting to State Minister for Financial Services Yoshimi Watanabe, which has been looking into measures to deal with the turmoil in the financial market triggered by the U.S. subprime mortgage crisis, has been revealed. The draft mentions that investment in Japan by overseas sovereign wealth funds (SWF), which have increased their presence because of their investment in European and U.S. banks, should be welcomed. It points out the need to set up a mechanism for investor nations and Japan to exchange information so as to create the environment for Japan to accept such investments. It also stresses the importance of non-discrimination between domestic and foreign companies for the creation of an open market.

The round-table is called the Financial Market Strategy Team, chaired by Yoshikazu Takao, managing director and operating officer at Asahi Life Asset Management. The report is the second step following one on measures for securitized financial products issued last fall. It will be released on July 12, today. The Financial Services Agency plans to reflect proposals made in the report in its future financial administration, though the report was not compiled in response to its consultation for amending the related law.

The draft report underscores that it is a pressing issue to lure funds from both within and outside the country in making Japan's financial market attractive, although it at the same time points out that there is concern that SWF's investment behavior may reflect the intention of the governments of their home countries. It then indicates the notion that non-discrimination between domestic and foreign companies should be maintained.

Some European and U.S. banks have accepted a huge amount of capital from SWF in order to cover heavy losses incurred due to the turmoil in the financial market. Though Japanese banks are not suffering from a capital shortfall, voices calling for more active use of SWF, instead of regulating them out of caution have been growing stronger. In response to such a call, the report stresses the stance of welcoming investment by SWF.

Determining that that it is necessary to ensure market fairness in order to improve foreign companies' investment environment and remove a sense of distrust in SWF felt by the Japanese side, the draft points out that the market monitoring system should be improved. Japan exchanges little information with countries that operate SWF, such as Middle East nations and China. The draft indicates the notion that though the International Monetary Fund (IMF) has launched discussion for the setting of guidelines, it is also necessary for Japan to strengthen financial officials' monitoring function, by looking into ways to collect information and how information should be disclosed.

However, in view of Britain's The Children's Investment Fund's recent bid to increase its stake in J-Power, the draft points out that some areas require consideration in security terms regarding

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investment in Japan by foreign capital.

Since the report serves as guidelines for financial administration, it will not directly affect various laws regulating investment. For instance, The Foreign Exchange and Foreign Control Law mandates prior notification regarding the acquisition of more than 10 PERCENT of companies in specified industries. The Ministry of Economy, Trade and Industry and the Finance Ministry have authority on that area. Even so, the panel has come up with a stance of promoting investment in Japan from the stance of supervising the financial market. This will likely have the effect of curbing the excessive application of such a regulation.

SCHIEFFER